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R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C.

FINANCIAL STATEMENT

DECEMBER 31, 1939.

Winston-Salem, N. C., January 13, 1940.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:—

The Financial Report of your Company, at the close of business December 31, 1939, is hereby submitted.

Net profit from operations for the year 1939 (in which net sales were $276,730,009.96), after deducting all charges and expenses of management, advertising, etc.	$34,696,115.18	
ADD		
Interest and Dividends on investments	130,565.33	
Miscellaneous income, net	133,281.23	$34,959,961.74
LESS		
Allowance for Depreciation, Obsolescence, etc.	1,187,525.05	
Interest paid	557,064.72	
Federal and State taxes on income	7,569,916.88	9,314,506.65
NET EARNINGS FOR YEAR		25,645,455.09
ADD		
Transfer from reserve for contingencies, no longer required		1,002,653.00
Undivided Profits December 31, 1938		41,584,967.77
		68,233,075.86
DEDUCT		
Four quarterly interim dividends of fifty cents each and one year-end dividend of thirty cents per share		23,000,000.00
Total Undivided Profits December 31, 1939		$45,233,075.86

FINANCIAL STATEMENT
DECEMBER 31, 1939.

ASSETS

CURRENT			
Cash		$ 4,046,094.71	
Accounts Receivable (net) for merchandise sold		7,209,605.82	
Leaf Tobacco, Supplies, Manufactured Product	$141,833,935.06		
Less Reserve for contingent carrying charges	2,809,279.53	139,024,655.53	$150,280,356.06
OTHER ASSETS			
Real Estate, Buildings, Machinery, Fixtures		33,020,972.65	
Deduct Depreciation, Obsolescence, etc.	$ 14,330,174.51		
Less fully depreciated property written off during year, etc.	546,548.84	13,783,625.67	
		19,237,346.98	
Investments in Non-Competitive Companies, etc.		319,547.21	
Bills and Notes Receivable		870,685.53	
Other Accounts Receivable		617,733.16	
Brands, Trade-Marks, Good Will		1.00	
Prepaid Expenses		392,148.81	
Retirement & Insurance Investment Fund*	$ 10,120,000.00		
Less Reserve accrued to December 31, 1939	5,127,995.52	4,992,004.48	26,429,467.17
			$176,709,823.23

*Consisting of 200,000 shares of the Common stock of the Company.

LIABILITIES

CURRENT			
Accounts Payable		$ 3,047,426.46	
Serial Note Payable 1940		2,000,000.00	
Accrued Taxes and other Accrued Accounts		8,429,320.91	$ 13,476,747.37
DEFERRED			
Serial Notes Payable 1941-1949			18,000,000.00
CAPITAL ACCOUNT			
Common Stock—Par $10			
Authorized 1,000,000 shares			
Issued 1,000,000 shares		10,000,000.00	
New Class B Common Stock—Par $10			
Authorized 13,000,000 shares			
Issued 9,000,000 shares		90,000,000.00	
Undivided Profits		45,233,075.86	145,233,075.86
			$176,709,823.23

F. S. HILL, Treasurer.

R. J. REYNOLDS TOBACCO COMPANY:

We have examined the financial statement of R. J. REYNOLDS TOBACCO COMPANY as at December 31, 1939, and the income and undivided profits account for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods, at times and to the extent we deemed appropriate.

Inventories of Leaf Tobacco, Supplies and Manufactured Product are valued at cost as in former years. We were present when inventories were taken by the Company and checked procedures followed in determining quantities and valuation. The investments are carried at not above cost or market, whichever is lower.

In our opinion, the accompanying financial statement and related income and undivided profits account present fairly the position of the Company at December 31, 1939, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Certified Public Accountants.

January 12, 1940.